

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Date:** 3/15/2012

**GAIN Report Number:** IN2040

## India

**Post:** New Delhi

### India Modifies Cotton Export Ban

**Report Categories:**

Cotton and Products

Agriculture in the News

Trade Policy Monitoring

Trade Policy Incident Report

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**Report Highlights:**

On March 12, 2012, the India's Ministry of Commerce and Industry issued a notification ([Notification No. 106 \(RE-2010\)/2009-14](#)) clarifying certain policies related to the cotton export ban. The notification indicates that no new export registration certificates will be issued and existing export registrations will be reviewed. The Government of India banned cotton exports on March 5, 2012, ([Notification No. 102 \(RE-2010\)/2009-14](#)) citing concerns about cotton supplies and increased exports.

## **General Information:**

### **Aspects of Cotton Export Ban Clarified**

On March 12, 2012, the Directorate of Foreign Trade (DGFT), Ministry of Commerce and Industry issued a notification further clarifying procedures relating to its March 5, 2012 ban on cotton exports (see [IN2036](#)). The notification indicates the following:

1. The announcement affirms the information in [Policy Circular No. 58 \(RE-2010\)/2009-14](#) which states that all cotton shipments for which a "Let Export Order" was issued before 24:00 hours on Sunday March 4, 2012 can be shipped. A let export order is the final approval from Indian Customs allowing a shipment to proceed. It is not yet clear how many bales of cotton meet this criterion. However, industry estimates are as high as 500,000 170 kg bales.
2. Any shipments for which a registration certificate had been issued are currently on hold while the Directorate General of Foreign Trade reviews the documents. It appears that officials are concerned about a sudden surge in the number of export registrations prior to the announcement of the ban and are seeking to verify the validity of the documents submitted by exporters who applied for registration certificates. The requirements for obtaining an export registration certificate are stringent. Among other things, exporters are required to submit a 2.5 percent performance guarantee, a capital intensive requirement for multiple shipments. Exporters are also required to submit a letter of credit; or proof of 100 percent advance payment; or proof of 25 percent advance payment with the balance due in cash against documents. Registration certificates are valid for 30 days. However, where necessary, the Ministry of Commerce has indicated that it will extend the validity in the event that an approved shipment is delayed as a result of the disruption caused by the announcement of the ban.
3. The Ministry of Commerce has stopped issuing new RCs until further orders.

On March 12, 2012, the Ministry of Textiles also issued a press release indicating that the informal Group of Ministers (GoM) from Agriculture, Textile and Commerce ministry are scheduled to meet within the next two weeks to assess the cotton situation.

At this stage, aside from allowing shipments for which a "Let Export Order" has been issued to proceed, the export ban effectively remains in place. The latest information from the Ministry of Textiles indicates that exports have exceeded 9.5 million bales and registration certificates have been issued for an additional 2.5 million bales. It is not clear how much cotton will be approved for export. However, under existing policy parameters, will likely be at least 500,000 170 kg bales (the estimated volume for which "Let Export Orders" have been issued), but less than 2.5 million 170 kg bales assuming that some portion of the outstanding export registrations will not be approved by the Directorate General of Foreign Trade. These figures relate to the local (October/September) marketing year.

**Disclaimer:** This summary is based on a cursory review of the subject announcement and therefore should not be viewed under any circumstance, as a definitive reading of the regulation in question, or of its implications for

U.S. agricultural export trade interests.

**Details of Notification:**

- **Type of Regulation:** Notification
- **Public Notice Date:** March 12, 2012
- **Proposed Date of Adoption:** Effective March 12, 2012

**Notification Text as published:** The full text of this notification can be accessed on the Directorate of Foreign Trade, Ministry of Commerce and Industry ([Notification No. 106 \(RE-2010\)/2009-14](#)) website. The full text of notification regarding policy of export of cotton can be accessed on Directorate of Foreign Trade, Ministry of Commerce and Industry ([Notification No. 74 \(RE-2010\)/2009-14](#) and ([Notification No. 63 \(RE-2010\)/2009-2014](#)).

**Products Affected:** Cotton and cotton based products

**Agency in Charge:** Department of Commerce, Ministry of Commerce & Industry and Ministry of Textiles, Government of India

**A complete list of documents since the inception of the export ban follows:**

<a href="#">Notification No. 106 (RE-2010)/2009-14</a>	March 12, 2012
<a href="#">Notification No. 102 (RE-2010)/2009-14</a>	March 5, 2012
<a href="#">Notification No. 74 (RE-2010)/2009-14</a>	September 12, 2011
<a href="#">Notification No. 63 (RE-2010)/2009-2014</a>	August 4, 2011
<a href="#">Policy Circular No. 58 (RE-2010)/2009-14</a>	March 9, 2012
<a href="#">Ministry of Textiles Press Release</a> - Anand Sharma meets MPs on the issue of Cotton	March 12, 2012
<a href="#">Ministry of Textiles Press Release</a> - Roll Back of Ban on Cotton Exports	March 12, 2012
<a href="#">Ministry of Textiles Press Release</a> - Ban on cotton export	March 6, 2012
<a href="#">Ministry of Textiles Press Release</a> - Export of cotton prohibited with immediate effect	March 5, 2012